

Where Your Food Dollar Goes

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HERE'S HOW EVERY DOLLAR YOU SPEND FOR FOOD IS DIVIDED:

1. The farmer gets	4 2¢
2. Transportation	6¢
3. Processors	20¢
4. Wholesalers	8¢
5. Retailers	24¢
TOTAL	\$ 1.00

(Parts going to processors and wholesalers include brokers' and agents' part.)

Many people handle the food you buy. The farmer grows it. Someone transports it. Manufacturers may change its form and package it. The wholesaler, retailer, delivery boy - usually each of these performs a service you ask for, and each service adds to the price you pay. Efficiency in handling at each point has a bearing on the price, too.

You buy in small quantities. You expect food out of season and in variety, freshly and attractively packaged. You want storage, credit, and "free delivery."

How much do you pay for each service? This folder tells the "who" and "why". It also gives "the farmer's answer."

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U.S. Agricultural Adjustment Administration
Division of Information
October, 1941

1. What the Farmer Gets.

Today you go to one store and select for your table Texas beef, pork from the "corn-hog" States, California oranges, New York grapes, Michigan beans, Washington apples, or bread made from Kansas wheat, instead of depending on local products to supply your year-round needs. Such variety is the direct result of many farm areas having become more specialized.

Buying this food is no longer a simple transaction between you and the grower. Several moves are involved before you pay the retail price for farm products.

In 1940 farmers received an average of 42¢ of each dollar you spent for food. On certain items, such as eggs, the farmer received as much as 58¢ of the food dollar; on dairy products, 45¢. In contrast, the farmer's share was as low as 9¢ out of every dollar spent for crackers and prepared cereal.

2. Transportation.

Many people live in cities far from the source of foods they need. The average distance between the producer and the consumer in the United States is said to be 1,000 miles. Milk often travels as far as 100 miles before it is delivered to your door.

Railways, waterways, and highways, and now the skies are busy lanes of constant movement of foods from one place to another - all on their way to you. As a consumer, you see the final link in this long chain when the food gets to your home.

Each time the food changes hands usually some type of transportation enters. For all of these moves you pay 6¢ out of each food dollar.

3. Processors.

American industry is organized to produce large quantities of goods. Giant processing factories such as the packing houses, which prepare animal products for table use, or great mills and bakeries - cogs in the pro-

duction of bread - receive 20¢ of each dollar you spend on food.

Both capital and wages are involved in this type of work. In the food processing industries, wages make up from one-fourth to one-third of the value added by manufacture. Changes in hourly wage rates produce important changes in costs but may be partially or totally offset by increases in labor efficiency, as the labor cost is affected both by the price of labor per hour and the time required to do a certain task.

Gigantic food movements involve great amounts of money. This financing and risk-taking is handled by brokers and agents. These middlemen - brokers and commission men - seldom take title to the goods handled, but they do assist in making the purchase by bringing the buyers and sellers together and arranging the terms of the sale. As in general business, their investments make possible the activities of many smaller firms such as wholesale receivers and jobbers.

The financing process of marketing food products also involves the time element. Capital is needed to buy the product when it is available and prices are favorable. Then the wholesaler and retailer have special seasons when large stocks must be kept on hand, as at Christmas and Easter. To buy such amounts in advance requires huge sums of money.

Costs for this service do not appear as a separate part of your food dollar but are included in the wholesaling or processing charge.

4. Wholesalers.

Wholesalers are the direct link between the manufacturers and central and local market systems. There are very few food items that the city retailer does not buy through a wholesaler or jobber. Most retailers do not deal with the factory directly because they do not buy enough at one time. They depend on the wholesaler. For their work wholesalers receive 8¢ of your food dollar.

This additional cost to your food is due to the wholesaler's profits and his expenses, including interest on his money, taxes, and wages. Wages are about half the total operating expense in wholesale distribution.

Items may have to be stored which the retailer may not need for a long time - sometimes a year or more. But the wholesaler must have them against the day when you expect your retailer to supply them to you.

5. Retailers.

To announce to you that he has the goods the retailer advertises in the local newspaper, puts up a neon sign, and uses window displays. All these cost money and are added to the price of the food.

He must have a store in which to sell his goods. For this he must pay rent. He must carry insurance. He must have a clerk or two, and someone to keep his accounts. He must have paper bags and wrapping materials. All these have to be added to the cost of the food you buy.

Then, the retailer must pay taxes. There is an income tax on his total business for the year.

The retailer may sell one package of a product today but not another of the same for 6 months. In that case his money is tied up, but he expects interest on it which amounts to a small fraction of a cent on one item.

Counting costs such as wages, salaries, taxes, and a profit, the retailer gets 24¢ out of your food dollar.

THE FARMER'S ANSWER

Farmers, too, are consumers. "Consumers" are not a separate group - everyone is included. As with most other consumers, the largest single item for which farmers' cash income is spent is food. So farmers are concerned when they have to pay more for the food they buy.

Higher food prices result mainly from increased demand. Today this demand is brought about by higher national income and to some extent by Lend-Lease purchases. Profiteering and speculation are often factors.

In comparison with other prices, food prices in general have not been relatively high in 1941. Although the national income in 1941 is greater than in 1929, prices received from all farm products during the first eight months of 1941 were one-fourth less than in 1929. For the year 1929 the average working man spent \$415 for 58 standard foods. Based on prices through January-August, 1941, he could buy the same food this year for \$332, or a fifth less.

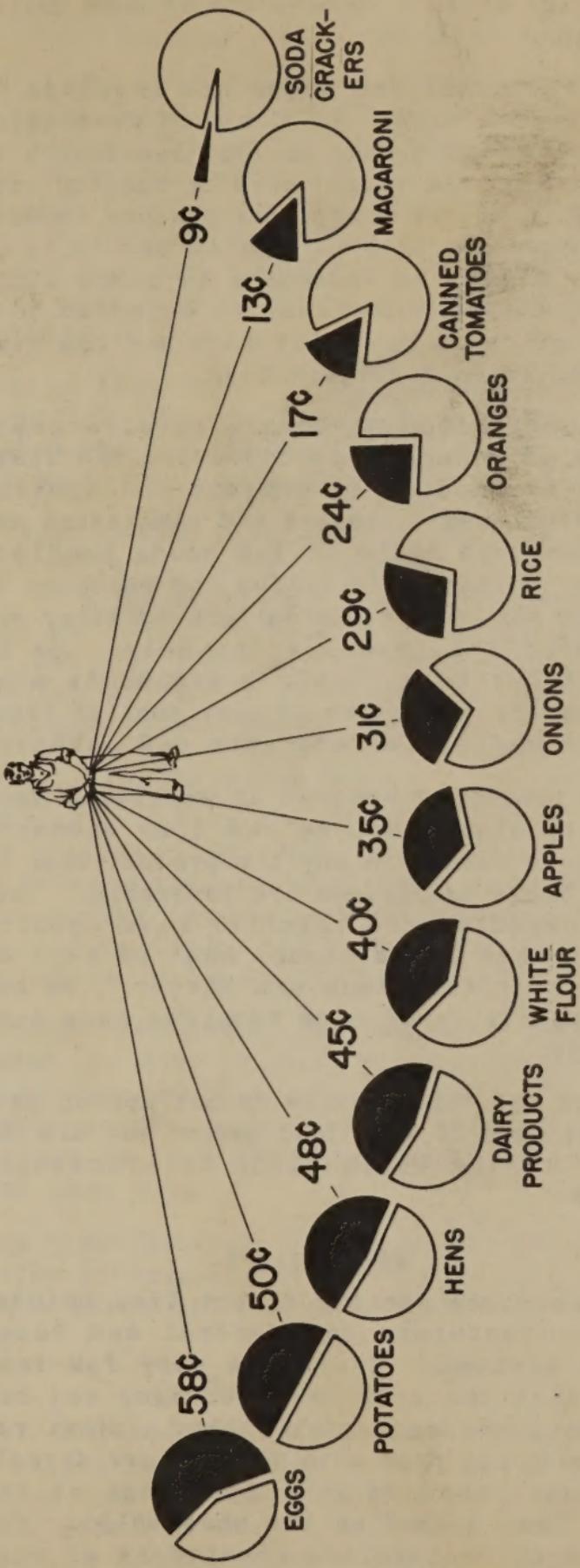
The farmer is entitled to a fair return for his product. He gets a relatively small part of your food dollar. As one example, the wheat grower receives only a little more than a penny for the wheat in an average loaf of bread which sells for 8 cents.

When farm income rises, city people benefit from the farmers' increased buying power. Through measures that support prices the Agricultural Adjustment Administration helps farmers buy more manufactured goods from the cities as well as sell more farm goods to them.

Food supplies are not short now - stocks of most foods in storage are high. In the farmers' Ever-Normal Granary, big harvests in good years are stored for use when needed. This reserve helps to prevent unwarranted speculative price increases as food passes from hand to hand.

Production goals for 1942 under the Farm Defense Program are insurance against excessive prices. Greater production will be stimulated by the Government's guarantee of favorable prices to farmers for their products - a guarantee that means not only fair prices to the producer but continuing ample supplies to the consumer. ##

FARMER'S SHARE OF THE CONSUMER'S FOOD DOLLAR, 1940



U.S. DEPARTMENT OF AGRICULTURE

